

**BLAIRDENON HILL ESTATES
LIMITED**

Report and Financial Statements

31 December 2008

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BLAIRDENON HILL ESTATES LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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BLAIRDENON HILL ESTATES LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J S Cairns (Chairman)
A D E MacLeod

SECRETARY

J S Cairns

REGISTERED OFFICE

Lochcote
Lochcote Estate
Linlithgow
West Lothian
EH49 6QE

BANKERS

Bank of Scotland
New Ueberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

SOLICITORS

McGrigors LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

INDEPENDENT AUDITORS

Deloitte LLP
Edinburgh, United Kingdom

BLAIRDENON HILL ESTATES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2008. This report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

PRINCIPAL ACTIVITY

The company's principal activity is property trading.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The net liability position at 31 December 2008 is primarily a result of a stock provision of £2.8 m recognised in the year which the directors believe to be temporary. This provision is required to show the current stock property at the lower of cost or net realisable value. The directors are of the opinion that this stock provision is as a result of current abnormal market conditions and anticipate that, assuming a return to normal market conditions resulting in an improvement to property yields, and on completion of planned asset management initiatives, the net liability position should reverse in the medium term.

The company is financed by a long term loan granted by its parent company, Bonnytoun Estates Limited ("Bonnytoun"). Bonnytoun is funded by a combination of term loans and shareholders' capital and has recently renewed its term loan facilities through to May 2012. The directors of the company and the parent company are common to both entities and, therefore, there is nothing to indicate that the support of the parent company via the inter company loan would not continue throughout the going concern foresight period.

The directors recognise that the current economic conditions create uncertainty over the ability to secure new suitable commercial tenancy arrangements and the value of real estate assets in the UK. They also recognise the potential impact on the Group's ability to comply with existing financial covenants over the going concern foresight period. Nevertheless, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current funding levels. The directors will continue to monitor their compliance with the underlying financial covenants and will address any breach in these covenants if they arise. At the date of approval of these financial statements the directors have no reason to believe the Group's bankers would not be supportive in addressing any potential covenant breach.

Therefore, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

RESULTS AND DIVIDENDS

The company made a loss of £2,710,215 (2007 – £640,549) for the financial year. The directors do not recommend the payment of a dividend (2007: £nil) and the loss for the financial year will be transferred against reserves.

DIRECTORS

On 5 March 2008 G C Sellar resigned as a director of the company and A D E MacLeod was appointed as a director of the company.

BLAIRDENON HILL ESTATES LIMITED

DIRECTORS' REPORT (continued)

INDEPENDENT AUDITORS

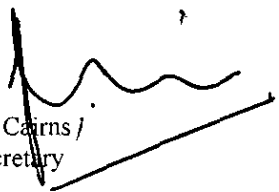
In the case of each of the persons who is a director of the company at the date of approval of this report:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 13 October 2009
and signed by order of the Board



J S Cairns /
Secretary

BLAIRDENON HILL ESTATES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLAIRDENON HILL ESTATES LIMITED

We have audited the financial statements of Blairdenon Hill Estates Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of movements in reserves, the reconciliation of movements in shareholder's deficit, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein and the requirements of the FRSSE (effective January 2007).

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte LLP

Chartered Accountants and Registered Auditors
Edinburgh, UK

13 October 2009

BLAIRDENON HILL ESTATES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2008

	Note	2008 £	2007 £
Other operating income	4	307,197	394,017
Normal administrative expenses		(235,623)	(414,970)
Exceptional administrative expenses	7	<u>(2,781,789)</u>	<u>(619,596)</u>
Total administrative expenses		<u>(3,017,412)</u>	<u>(1,034,566)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(2,710,215)	(640,549)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(2,710,215)</u>	<u>(640,549)</u>

All amounts have arisen from continuing operations.

There have been no recognised gains or losses attributable to the shareholders other than the result for the current and prior financial year. Accordingly, no Statement of Total Recognised Gains and Losses is shown.

STATEMENT OF MOVEMENTS IN RESERVES

Year ended 31 December 2008

	2008 £	2007 £
At 1 January	(641,574)	(1,025)
Loss for the financial year	<u>(2,710,215)</u>	<u>(640,549)</u>
At 31 December	<u>(3,351,789)</u>	<u>(641,574)</u>

BLAIRDENON HILL ESTATES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S DEFICIT Year ended 31 December 2008

	2008 £	2007 £
Loss for the financial year	(2,710,215)	(640,549)
Net movement in shareholder's deficit	(2,710,215)	(640,549)
Opening shareholder's deficit	(641,573)	(1,024)
Closing shareholder's deficit	(3,351,788)	(641,573)

BLAIRDENON HILL ESTATES LIMITED

BALANCE SHEET

Year ended 31 December 2008

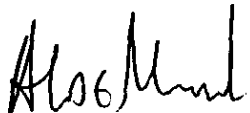
	Note	2008 £	2007 £
CURRENT ASSETS			
Dealing properties	7	1,866,750	4,645,000
NET CURRENT ASSETS		1,866,750	4,645,000
CREDITORS: amounts falling due after more than one year	8	(5,218,538)	(5,286,573)
NET LIABILITIES		<u>(3,351,788)</u>	<u>(641,573)</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account		(3,351,789)	(641,574)
TOTAL SHAREHOLDER'S DEFICIT		<u>(3,351,788)</u>	<u>(641,573)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

These financial statements were approved by the Board of Directors on 13 October 2009.

Signed on behalf of the Board of Directors


J S Cairns
Director


A D E MacLeod
Director

BLAIRDENON HILL ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2008**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the special provisions relating to small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007). The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention.

The company's business activities, together with the factors likely to affect its future prospects including those of its parent undertaking, are discussed in the directors' report on page 2. After making enquires, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Cash flow statement

The company has taken advantage of the exemption contained in Financial Reporting Standard No 1 (Revised 1996) from preparing a cash flow statement on the grounds of being a small company defined by Section 247 of the Companies Act 1985.

Revenue

Revenue on the sales of dealing properties is recognised when the sale is complete.

Dealing properties

Dealing properties relate to commercial properties held for resale and are shown in the financial statements at the lower of cost and net realisable value. Cost comprises the property purchase price, directly attributable costs of acquiring the property and other appropriate costs incurred following the purchase. Net realisable value is determined by reference to third party professional valuations.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax, in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non discounted basis.

2. TURNOVER

Turnover arises wholly from the principal activities of the company within the United Kingdom and represents the proceeds from the disposal of dealing properties. No properties were sold in the current or preceding year.

BLAIRDENON HILL ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company does not have any employees (2007 – nil).

The company did not incur any staff costs or directors' remuneration during the current and prior year.

4. OTHER OPERATING INCOME

Other operating income relates to rental income received and receivable during the year. Property rental income is recognised over the period in respect of which the rent is due.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration of £1,000 (2007: £1,000) is borne by the parent company.

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2008 £	2007 £
UK corporation tax at 28.5% (2007 – 30%)	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28.5% (2007 - 30%). The actual charge for the current year is lower than the standard rate for the reasons set out in the following reconciliation.

	2008 £	2007 £
Loss on ordinary activities before tax	(2,710,215)	(640,549)
Tax on loss on ordinary activities at standard rate of 28.5% (2007 – 30%)	(772,411)	(192,165)
Factors affecting charge for the year:		
Group relief surrendered	-	28,447
Generation of tax losses	777,941	163,718
Utilisation of tax losses	(6,861)	-
Group relief	1,331	-
Total actual amount of current tax	-	-

7. DEALING PROPERTIES

Dealing properties are commercial properties held for resale. Exceptional administration expenses include a cumulative provision for impairment in the value of the properties of £3,401,385 (2007 - £619,596).

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £	2007 £
Due to parent company	5,218,538	5,286,573

BLAIRDENON HILL ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

9. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
1 ordinary shares of £1	1	1
	<u>1</u>	<u>1</u>
Called up, allotted and fully paid		
1 ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

10. GUARANTEES

The Bank of Scotland holds unlimited inter-company guarantees in respect of the following group companies:

Bonnytown Estates Limited
Innerdownie Estates Limited
Whitewisp Estates Limited
Kings Seat Estates Limited
Ben Cleuch Estates Limited
Ben Ever Estates Limited
Blairdenon Hill Estates Limited

At 31 December 2008, the total group liability in respect of such borrowings was £32,135,196 (2007 - £32,581,489).

11. PARENT COMPANY

The company is a 100% subsidiary of Bonnytown Estates Limited, a company registered in Scotland. The results of the company are consolidated in the financial statements of Bonnytown Estates Limited which are the largest and smallest consolidated financial statements prepared. Copies of the financial statements of Bonnytown Estates Limited may be obtained from Companies House 4th Floor, Edinburgh Quay, 139 Fountainbridge, Edinburgh, EH3 9FF.

12. TRANSACTIONS WITH RELATED PARTIES

The company is a wholly owned subsidiary of Bonnytown Estates Limited. The company has therefore taken advantage of the exemptions available under Financial Reporting Standard 8 with regard to the non-disclosure of transactions between group companies which are eliminated in the ultimate parent company's consolidated financial statements.